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Director of Central Intelligence

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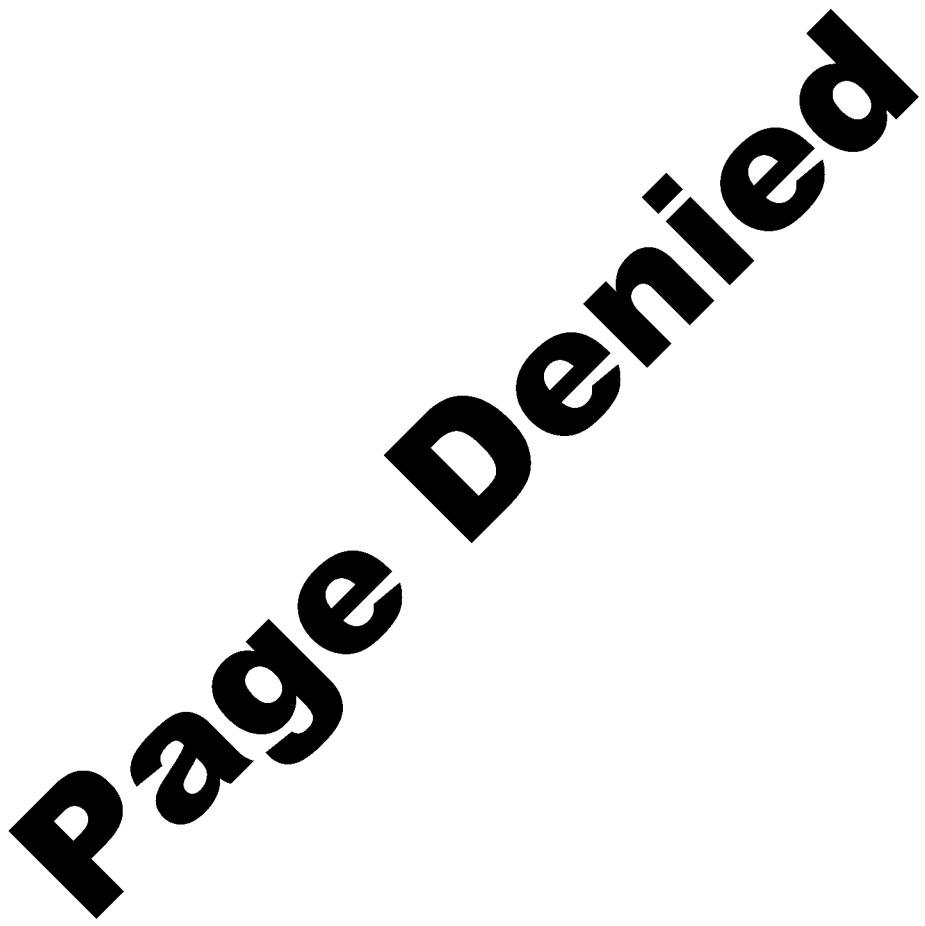

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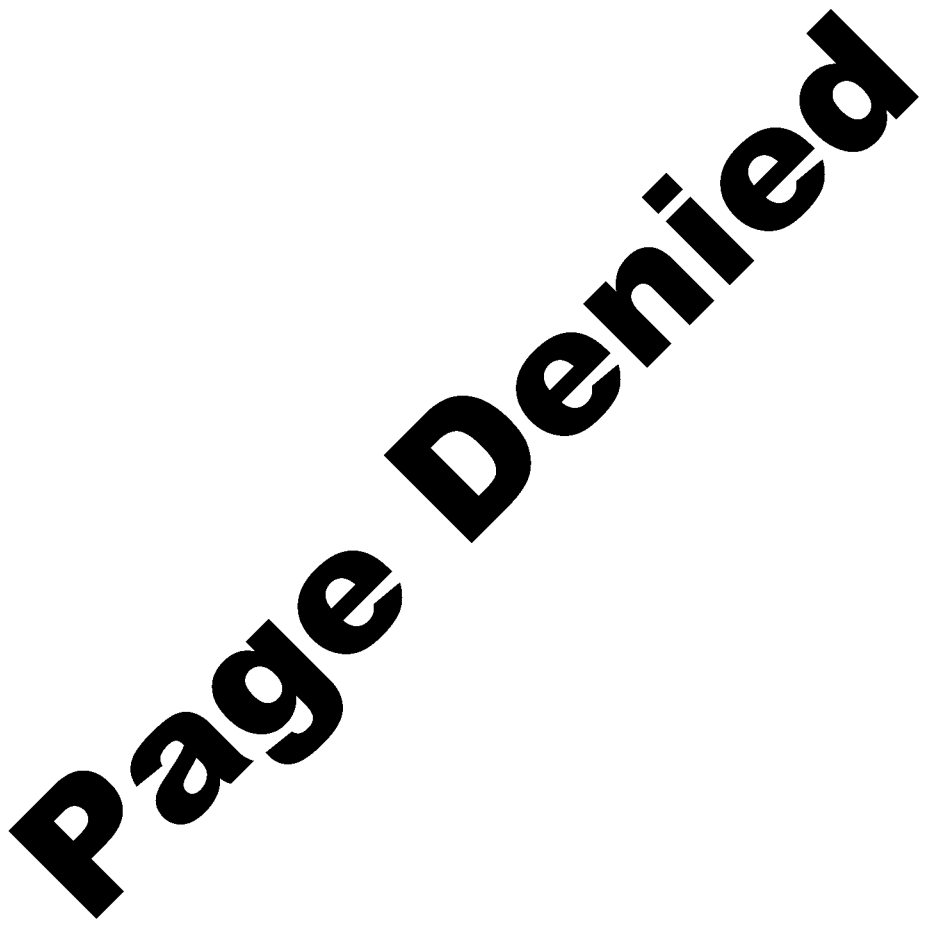

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Special Analysis

ARGENTINA: Alfonsin Taking Charge

//President Alfonsin has taken full advantage of the postelection euphoria during his first month in office to address important domestic and foreign policy issues. The left-of-center leader's tough rhetoric and swift action have been matched by deft political efforts to regulate the pace and temper the impact of promised reforms. These moves thus far have helped prevent a backlash from Argentina's usual power brokers—the military, the Peronists, and the unions. Beyond midyear, however, economic problems coupled with unmet expectations and possibly a strengthened opposition could result in more serious challenges to Alfonsin.

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//Alfonsin's most visible initiatives—and the most popular ones among Argentines—have been aimed at curbing the military and redressing violations of human rights committed during the antiterrorist campaigns of the late 1970s.

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the military high command anticipated that it would be subordinated to civil authority. It also expected that cuts would be made in defense spending.

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//In addition, the military was aware that the new government would repeal the preelection amnesty decree that had absolved members of the security forces of human rights abuses. Many officers are privately expressing disgruntlement, but they realize they can do little to challenge Alfonsin.

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Alfonsin's strategy on the human rights issue is intended to limit investigations to command levels and to assuage the fears of officers concerned about a general purge. The newly formed citizens commission to investigate abuses, for example, was conceived with the aid of a senior Army official to control the

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inquiries. Alfonsin intends to ensure that judges do not conduct a witch hunt.

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Labor and the Economy

//Alfonsin also is moving quickly with plans to democratize labor unions by holding new union elections. Several local labor bosses, who have been courted by the new government, reportedly have pledged to support Alfonsin's union program. Labor militants were unable to get support for a strike last month.

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//Peronist-dominated unions will be unable to challenge the President for at least the next six months. Alfonsin is attempting to mollify the opposition parties further by giving Peronists middle-level government posts and by making a key party leader a presidential adviser on military matters.

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The administration's political initiatives are receiving greater media coverage, but it has been equally active on the economic front. The government has imposed price controls, submitted a major tax reform package, and begun a program of increased public spending to spur a recovery. According to the US Embassy, Economy Minister Grinspun has also begun talks with bankers in the US and has reiterated his willingness to facilitate refinancing some $18 billion in foreign debt in 1984 and to negotiate a new IMF agreement.

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Foreign Policy

//Alfonsin's fast pace extends to foreign policy. His government has offered concessions to Chile, for example, that could soon lead to a settlement of the Beagle Channel dispute.

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//On the Falklands, Alfonsin has tried to appear flexible, but he still supports the military's basic position that normalization of relations with the UK has to be linked with renewed negotiations on sovereignty over the islands. These moves improve his standing, and they may be used to help justify cuts in defense spending and a more limited role for the military.

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//The announcement in November, before the President took office, that Argentina had mastered uranium-enrichment technology led Alfonsin immediately to reaffirm his intention to assure that the nuclear program is to be for peaceful purposes only. He transferred the program to civilian authority and created a commission to evaluate it.

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//Alfonsin has been cautious, however, in making any major changes in the nuclear program. He recognizes that it is a source of national pride and that the military has a strong interest in protecting it. The President probably will wait for the commission's report before blocking out the direction of future policy.

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Outlook

//Alfonsin's bold style, the conditions conducive to change in Argentina, and the disarray among opponents suggest that the new President probably will continue to have his way over the next six months. The successful transition to democratic rule and Alfonsin's

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decisive actions thus far, however, have produced extremely high popular expectations that will be difficult to satisfy even under ideal conditions. They are even less likely to be met after midyear, when revenue raising measures probably will be inadequate to finance public spending, putting renewed pressure on prices and making accommodations with labor difficult. [redacted] 3.5(c)

//Labor leaders will then be better able to rally the opposition to challenge economic and union reforms. Even members of Alfonsin's own coalition, especially the human rights groups, may demand more vigorous prosecution of security officials and embarrass the government if their demands are unmet. [redacted] 3.5(c)

//Anti-Alfonsin sentiments in the military are unlikely to coalesce in the near future. Officers subject to human rights investigations will be preoccupied with their own difficulties and probably will avoid conspiracies that could make them appear guilty. Unrest in the military will be likely to grow, although slowly, if Alfonsin appears to be losing control of the investigations. [redacted] 3.5(c)

Most officers will grudgingly accept a settlement of the Beagle Channel dispute, even with major concessions. On the other hand, similar compromises on the Falklands would not be tolerated and would almost certainly become a rallying point for opponents in the military. At this point, however, the services are deeply divided on many issues and lack a commonly acceptable leader. [redacted] 3.5(c)

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